

S.C.A.R.E.I.A.

Sandusky County Area Real Estate Investors Association –
serving all of Sandusky County and surrounding areas

NEXT MEETING

Monday,
July 21st
6:00 p.m.
CONNER PARK
TIFFIN RD. -
FREMONT

NOTE –
TIME AND VENUE
CHANGED
FOR THIS
MEETING
ONLY

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JUNE MEETING MONDAY, JUNE 16th

The speaker for June is our own SCAREIA member, Kathy Fahle with First American Title Insurance Co. Kathy will make sure you know everything you ever wanted to know, and more, about real estate closings. In addition to understanding what all those closing costs are, you will learn about title insurance - what it covers and what it doesn't - in relation to short sales and foreclosure sales.

Kathy has an associate degree from the University of Toledo in Business/Legal Assisting and a Bachelor of Science, Magna Cum Laude, from UT as well. She has been employed by either law firms or title companies doing real estate law since 1977. She has been manager/ VP of First American Title in Fremont since 1995.

Come loaded with your questions because Kathy will certainly try to answer them all.

Be sure to mark your calendars for the upcoming July SCAREIA meeting – Monday, July 21st – 6:00 pm – Conner Park on Tiffin Rd. in Fremont – Members (and guests) potluck and mentoring. Bring a covered dish to share, along with some of your favorite or not-so-favorite stories/ experiences to share. SCAREIA will provide hotdogs, hamburgers, and soft drinks. Bring the family! Hope you can make it!! Look for more info in next month's newsletter.

What is OPHP?

OPHP stands for The Ohio Professional Housing Provider's Program. The OPHP designation is a statewide, education-based certification program designed to recognize the high level of knowledge and professionalism among the designation holder. It is sponsored and overseen by the Ohio Real Estate Investor's Association (OREIA). Only persons completing the educational requirements will be permitted to hold themselves out to the public as Ohio Professional Housing Providers. The designee will be recognized in the form of an award certificate and the right to use the designation, and should recognize that having a basic education in the topics outlined below will increase his or her ability to reach his goals in real estate investment. Further, it is hoped that the OPHP holders will have an advantage in dealing with legal and governmental bodies when a "my word against his" situation occurs. It will also aid in encouraging legislators to think of educated investors as a larger group for political action. Other tangible benefits, including discounts on courses and educational materials, may be added as the program develops.

Course of study: The course of study will be divided into 42 clock hours of core courses and 18 hours of elective topics for a total of 60 hours of formal education. The core topics are as follows:

Appraisal (2 hours)	Federal regulations (1 hour)	Insurance-worker's compensation (1 hour)
Rehab (4 hours)	EPA regulations (1 hour)	Insurance-liability (1 hour)
Fair housing law (3 hours)	Management (4 hours)	Marketing (2 hours)
Negotiation (3 hours)	Purchasing (2 hours)	Ethics (2 hours)
Finance (6 hours)	Inspections (2 hours)	Electives (18 hours)
Tenant-Landlord law (2 hours)	Tax law (income) (1 hour)	
Contract Law (3 hours)	Tax law (other) (1 hour)	
Local regulations (2 hours)	Insurance-property (1 hour)	

How will I obtain these hours?

These hours may be obtained through local association meetings and seminars, or through courses taught outside of the local groups. All outside courses and seminars must meet the following requirements: they must be taught live; they must be pre-approved by the OPHP committee; and they must provide a certificate of attendance acceptable to the OPHP committee.

Continuing education to maintain OPHP designation

Once the OPHP designation has been obtained, designees must complete 20 hours of continuing education every two years in order to maintain the designation. These hours are elective and may be used by the designee to continue his or her education as he/she sees fit.

Goals of OREIA

The Ohio Real Estate Investor's Association is dedicated to making this program a success. It is understood by the committee that the program will evolve as time goes on, and that time will pass before local groups, their members, and the public at large recognize the value of this education. OREIA believes that the concept of creating well-educated investors is important in the fight to make our industry a respected one. We also believe that the ability to present our members as dedicated, educated professionals will aid in the political action, which we are dedicated. While this education is already the mission of the local associations, we hope that a statewide designation will further this goal by making legislators, regulators, and the public at large recognize that we are not simply "landlords", but informed business persons who make an ongoing contribution to our communities.

HOW TO FIND MLS DEALS

Q: I would like to find some distressed single family homes that I can buy at an under-market price, fix up, and sell for a profit. But when I look at properties that are listed for sale in the local Multiple Listing Service, I find that by the time I pay the asking price, put in the necessary repair costs, and then pay holding and sale costs, there's absolutely no profit left! Surely there are some good deals in the MLS; what's the secret to finding them?

A: Most properties in the MLS are listed at a price where no investor could make a profit renovating and reselling them. And yet, lots of investors use the MLS to buy bargain properties every day. The "secret" that you're looking for is simple: what the seller of a particular property is ASKING for his house and what he will ACCEPT are often 2 different things.

There's an interesting psychology involved in setting the asking price for a property. In sitting down with a seller to write up a listing agreement, an agent usually recommends a price at which the home will sell reasonably quickly. This price takes into account the recent sale prices of similar homes in the area; the condition and desirability of the particular property involved; the current market conditions; and the needs of the seller himself to pay off any underlying financing.

However, the seller often has other ideas about the value of his home. He may have heard from neighbors that another property in the area sold for a very high price—and even if this can't be verified by looking at official property transfer records (people have a way of inflating the price they got for their home when bragging to their buddies), the seller is not ready to let go of the idea that his could command a similar price.

In addition, many sellers don't have a real grasp on how much work their property needs to bring it into good condition. One of the toughest jobs an agent has is gently explaining to a home owner that, although he's been perfectly happy with the 40-year-old kitchen and the 30-year-old orange shag carpet and the 70-year-old coal-conversion furnace, most buyers are going to see them as things that need to be replaced.

And finally, there's the temptation to list the property at a higher price because "The buyer will want to negotiate." The fear of the seller is that if he places his home on the market at the price he really wants, he'll only get offers of 95% or less of that price—and in a sense, that's true. But the conversation with the seller often goes like this: "I'd be happy with \$120,000, but let's list it at \$124,500, so that I have room to negotiate. Better yet, let's put it at \$129,900, because then the buyer will probably offer \$124,000. Or how about \$134,000? But if I get an offer of \$129,000, I'll take it." A good agent will reign this tendency in with a reality check—a property that is listed for WAY too much will get no offers at all—but will usually start by trying out a price somewhat above what the property will reasonably sell for.

So, given that the asking price in the MLS may or may not bear any relationship to what the seller will take for his property, how do you sort through the thousands of listed properties to decide which ones are worth taking a look at? First, scan the MLS listing for other signs that the seller might be motivated. Look for comments like "sold as-is," "handyman's special," "no FHA/VA," "sold to settle estate," "out-of-town seller," "must sell," "vacant," and "lender owned." Eliminate properties that are drastically over priced—in other words, properties that are listed at retail price despite the fact that they need \$20,000 in repairs. Then take a look at the properties that are left, run your numbers, and make your best offer regardless of the asking price. Don't worry about "insulting" the seller—think of it as doing him a favor by giving him a reality check. And don't get discouraged when your offers are rejected. Under the best of circumstances, 19 out of 20 will be. And once you've made an offer on a particular property, follow up regularly with the listing agent. It's often the case that a seller of a distressed property will receive many offers in the same range as yours, and will realize over time that the market is telling him what his property is really worth. At some point, he might well decide that it's time to give up on the fantasy that he's going to get a fortune for his ugly house and just take one of these offers. If you're the one who keeps coming back over and over with interest in the property, there's a good chance that the offer he takes will be yours.

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Avoid negotiation nightmares on REO properties

In an earlier edition of *OHIO REALTOR*, some of the paperwork pitfalls of dealing with lender owned or "REO" properties were discussed. This article detailed the need to include the fair housing language in the listing agreement for such properties and the lender/seller's obligation to complete the agency disclosure, property disclosure and lead-based paint forms.

Satisfying these paperwork requirements does not end the challenge involved in selling such properties, however. Even more troublesome for both the listing and buyer's agents can be the problems that arise when an offer to purchase is received. These can include the lender's failure to respond to the offer in a timely manner, addenda the lender insists upon and Statute of Frauds dilemmas when the lender doesn't sign the contract. The purpose of this article is to provide REALTORS with some advice and information to deal with these issues.

Dealing with bureaucracy

One of the common reasons why it takes so long for lenders to respond to an offer is because of the bureaucratic nature of these institutions. Often the employee at the bank who lists the property with the REALTOR doesn't have the ultimate authority to accept, counter or reject an offer to purchase. To help reduce delays in the negotiation process, the listing agent should try to identify who the decision maker is and deal with that person directly (or at least involve them from the outset). By doing so, the listing agent can hopefully cut down on the number of internal levels the offer has to go through before a response is made.

Get addenda upfront

Another roadblock to handling negotiations in a reasonable time is caused by the fact that almost all lenders insist on certain addenda to the purchase contract. Because these are so common place the listing agent should anticipate this and ask the lender for a copy of their addenda upfront. By doing so, the listing agent can then make them available for buyers' agents to review in advance and include with their original offer. This can possibly eliminate the need for a counteroffer from the seller and result in quicker contract negotiations.

Dealing with time limit issues

Because lenders are notorious for ignoring the time limits in offers to purchase, buyers' agents should make sure their buyers understand that it could be days or weeks before they get a response to their offer. This information is especially important for buyers who are relocating and need to find housing quickly.

It should also be explained to buyers that it is highly likely that even if the lender finds the buyers' offer to be acceptable, the lender will insist that the buyers agree to additional terms that will be included in an addendum. Further, buyers should be informed that in most instances these terms are non-negotiable.

Explaining this process to buyers in advance should help reduce the buyers' level of frustration when this process takes longer than anticipated. To try to speed up this process, the buyers' agent should try to get the lender's addenda from the listing agent upfront so they can be reviewed with the buyers and included with the original offer.

Avoid negotiation nightmares on REO properties (continued)

Addendum = Counter

If the lender/seller responds to an offer to purchase by submitting addenda that are to be part of the contract, make sure that this response is properly characterized as a counteroffer. Often times the listing and/or buyers' agents contribute to the buyers' confusion and frustration by telling the buyers that their offer has been accepted by the lender/seller when in fact such addenda constitute a counteroffer by the lender.

Statute of fraud problems

Another potential complication in the negotiation process is the lender's failure to sign the offer or counteroffer. For example, the lender often responds to an offer by submitting their addenda to the buyers, but won't sign the offer and addenda until after the buyers have signed them.

Under Ohio's Statute of Frauds, the lender, like any other seller, is not bound by the purchase agreement until they have signed it. Buyers' agents should be sure to explain this to buyers so they aren't caught off guard when the lender reneges on their verbal deal after weeks of negotiations because they received a higher offer from another buyer.

Depositing earnest money

Most purchase agreements provide that the earnest money will be deposited upon acceptance of the offer. This begs the question, should the earnest money be deposited when the buyer accepts the lender's addenda (i.e. the lender's counter offer) or when the lender subsequently signs their addendum/counteroffer? The Ohio Division of Real Estate had recently taken the position that the earnest money should be deposited upon receipt of all signatures to the contract, not upon mere verbal acceptance. Thus, the broker who is going to hold the earnest money needs to be aware of this position and deposit the earnest money accordingly.

In some instances, the lender may insist upon holding the earnest themselves and/or making the money non-refundable. If this is the case, any conflicting language in the purchase agreement that references the money being held by the broker or the buyer being entitled to the return of their earnest money should be deleted.



Excellent information was provided by Len Partin regarding real estate auctions. We hope you learned the difference between an absolute auction and a reserve auction, recognized the fees that may get you in trouble if you are not paying attention, learned the psychology of an auction and how to make sure you're getting the deal you thought you were if you are the successful bidder, and how to inspect an auction property properly. If you're having difficulty selling your property the conventional way, you might want to consider an auction. Also, if you're looking to add to your portfolio, an auction could be another way to acquire real estate at a great value. For the many benefits of his experience, you may reach Len either at the home office: **419-797-9627** or on his cell: **419-356-8777**.

2007 S.C.A.R.E.I.A. Board Members

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**For further information,
you may contact
any of the Board
Members at any time**

About Our Organization...

SCAREIA was organized in October 2005. Our primary focus is to share information, to help educate and to motivate our members in their successful real estate endeavors.

Anyone interested in Real Estate Investing, whether you are just beginning or a seasoned investor, are welcome to join.

SCAREIA meets the 3rd Monday of every month at 7pm. Meetings are located in the basement of the Fort Stephenson House, 600 W. State St., Fremont, Ohio.

Please encourage any friends, business acquaintances, etc. to attend our next SCAREIA meeting, so they can see what we're all about. Our memberships are very affordable at just \$50 annually – and the benefits far outweigh the cost (especially by receiving those monthly eviction reports). For further info on the OPHP certification discussed earlier in this newsletter, please contact Kathy Burkin (419-334-9586).

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